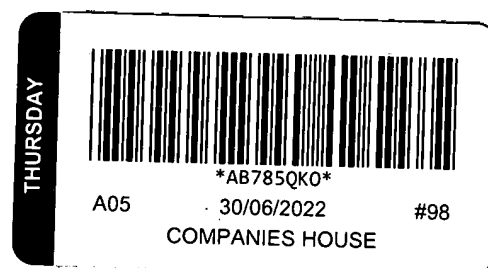


COMPANY REGISTRATION NO: 03920410

HALEWOOD ARTISANAL SPIRITS (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the 52 week period ended 26 June 2021



Annual report and financial statements 2021

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Company information

Directors	J M Halewood S A Hainsworth A W Robinson (resigned 3 April 2022) J A Bradbury L A Tayburn J A Stocker S M Kilshaw (appointed 21 December 2021) J H T Kennedy (appointed 18 January 2022) G C Bairstow (resigned 31 December 2021) E K Alexandrovna (appointed 1 March 2022) K Pillay (appointed 3 April 2022)
Registered office	1st Floor Tennyson House, 159-165 Great Portland Street, London, England, W1W 5PA
Registered number	03920410
Auditor	Deloitte LLP Statutory Auditor The Hanover Building Corporation Street Manchester M4 4AH
Bankers	National Westminster Bank plc 22 Castle Street Liverpool L2 0UP Investec Bank PLC 30 Gresham Street London EC2V 7QP

Strategic report**BUSINESS REVIEW**

Halewood Artisanal Spirits (UK) Limited (Halewood) delivered adjusted EBITDA of £6.0m, down £2.8m compared to prior year. Halewood has sold and delisted non-core low margin brands that are particularly sensitive to the impact of inflationary increases in raw materials and logistics costs that the market is experiencing.

In March 2021, Halewood purchased the Trade and Net Assets of 2 group companies (H&A Prestige Bottling Limited and Hall and Bramley Limited) at Net Book Value to simplify the product offering and deliver efficiencies.

The Company strategy remains focused on premium artisanal spirits with strong provenance. Whitley Neill Gin remains the UK's number one premium gin and dominates the flavored gin category. In the UK, Halewood has delisted lines particularly in the low margin carbonated 'Ready to Drink' category with increasing focus on artisanal spirits in vodka and rum categories. The Halewood Group of companies successfully sold over 20 heritage brands with the notable sale of Lambrini, Eisberg and El Dorado that were distributed by Halewood in the UK and sold to export markets.

The Company's core brands are licensed from other group undertakings to which the Company pays royalties. Halewood Artisanal Spirits (UK) Limited is a wholly owned subsidiary of Halewood International Holdings (UK) Limited, a Company incorporated in England. The ultimate parent undertaking is Halewood Artisanal Spirits PLC.

The directors consider the key performance indicators of the Company to be gross profit, and adjusted EBITDA. The Company has experienced an 8% decline in Gross Profit caused by the sale and delisting of non-core brands. The Company implemented a restructuring program with these costs added back to EBITDA as they are considered non-recurring expenses and therefore do not reflect underlying trading performance. The following table summarises turnover and adjusted EBITDA for each of the last 2 periods:

	2021 £'000	2020 £'000
Turnover	210,343	243,541
Gross Profit	46,147	50,350
Operating (loss)/profit	(3,501)	1,611
Depreciation	2,760	3,640
Amortisation	63	46
Sales of asset and brands	2,043	-
Restructuring and COVID-19 related costs*	4,619	3,471
Adjusted EBITDA	5,984	8,768

*Restructuring and COVID-19 related costs in the year to June 2021 relate to stock write-offs for discontinued brands and costs of redundancies.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to competition from other operators, COVID-19 and post-Brexit disruption.

The market continues to be affected in many of our operating countries by the ongoing impact of COVID-19. We have more recently in the UK seen an increase of On Trade activity, as the restrictions were eased and some decline in sales through Grocers that increased during the lockdown period. These impacts have broadly balanced for sales in the main UK business for the core brands, and we expect that to continue to be the case going forward.

Post Brexit risk

Halewood has managed the impact of the post Brexit disruption to trading and supply chain as the UK adjusts to its new trading relationship with the European Union (EU) by increasing stock holdings of core materials sourced from the EU and diversifying its supply base to reduce reliance, where possible, upon EU based supplies. International customers are placing orders earlier to ensure product arrives in time.

Strategic report (continued)

Competitor risk

Competitor risk manifests itself in the form of competing brands in the same category, all competing for the consumers spend. Halewood ensures that there is a constant pipeline of new products to bring to market and that it is investing in current brands to seek to mitigate this risk.

Consumer buying patterns risk

Consumer buying patterns risk occurs as over time consumers switch from one alcoholic beverage category to another, or one channel to another or one price point to another. Halewood mitigates this risk by making sure that its brands have strong provenance, it has brands across multiple categories, price points and availability across channels.

Credit risk

Halewood's credit risk is primarily attributable to its trade receivables, and it has implemented policies that require appropriate credit checks on potential customers before services are provided and credit insurance put in place where appropriate.

Taxation risk

As a producer and distributor of alcoholic beverages Halewood is exposed to the taxation risk associated with these products. In order to mitigate the risk, the Group maintains a portfolio of products within different alcohol duty classifications. In addition, Halewood represented on various trade bodies.

Interest rate risk

The Group has interest bearing liabilities, which are linked to LIBOR, and does not consider itself to be exposed to any significant interest cash flow risk, given interest coverage from earnings. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Liquidity risk

Halewood ensures availability of funding through an appropriate amount of committed facilities that are designed to ensure Halewood has sufficient available funds for operations.

Cyber Security risk

Halewood takes cyber threats very seriously, employing industry leading desktop and server security features to ensure the safety of the corporate data; we use a cloud based artificial intelligence based solution to protect on threats from emails, and we partner with the world's best ecommerce platforms to provide a secure and robust online trading environment for its consumer base.

SECTION 172 (1) STATEMENT

This Statement contains an overview of how the directors have performed their duty to promote the success of the Company as set out in section 172(1) of the UK's Companies Act 2006. That section requires a director of a Company to act in the way he considers, in good faith, would most likely promote the success of the Company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the Company's employees,
- c) the need to foster the Company's business relationships with suppliers, customers and others,
- d) the impact of the Company's operations on the community and the environment,
- e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly as between members of the Company.

DECISION MAKING

The Operational Framework sets out the principles of good governance to which the Company is required to adhere, together with its values, policies and processes.

The Company produces a long term strategic plan, a detailed financial forecast for the current year and a rolling 12 month forward financial view. The senior managers of each respective operating function contribute towards this process, and are also responsible for identifying and managing principal and emerging risks in their functions. In so doing the senior management have regard to a variety of matters including the interests of various stakeholders, the consequences of their decisions in the short term and the long-term reputation of the company.

Strategic report (continued)

EMPLOYEES

Employee engagement is a primary focus for the directors of the Company – connecting employees to the Group’s strategy and purpose, empowering them to contribute to improving business performance and creating an environment in which everyone can fulfil their potential. The Company keeps employees informed about what is happening through the Halewood intranet, email, and leadership blogs and briefings.

FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Directors recognise that fostering business relationships with key stakeholders, such as customers and suppliers, is essential to the Company’s success. The Company has close relationships with its customers, suppliers and industry partners which help us to create best-in-class products.

The Company’s supplier relationships are often long-term and the Directors meet with key suppliers and work with the Company’s procurement function to develop deeper relationships with business in the supply chain and develop strategic relationships with key suppliers.

THE COMMUNITY AND THE ENVIRONMENT

The Directors recognise the importance of leading a Company that not only generates value for shareholders but also contributes to wider society. The Company looks to ensure that we build and nurture mutually beneficial relationships between our business, our people and local stakeholders. Giving back to the communities in which we operate, and to charities that have meaning to our business, is vitally important to our Company and our employees, allowing us to make a positive difference and have an impact where it counts.

The Company is committed to reducing the environmental impact of our operations and products, minimising our environmental footprint and, in turn, decreasing our operational costs.

MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Company aims to be a leader in business conduct which helps us to earn and maintain stakeholder trust and sustain business success. The Directors consider it fundamental to maintain a culture focused on embedding responsible business behaviors. All employees of the Company are expected to act in accordance with the requirements of the Company’s policies at all times. As well as being the right thing to do, this reduces the risk of compliance failure and supports us in attracting and retaining high-caliber employees.

FUTURE OUTLOOK

The Company will continue to focus on its successful strategy of new product development in artisanal spirits, tight cost control and production efficiency. By maintaining a diverse portfolio of products at multiple price points and exporting to several geographical regions, the Company expects to minimise risk from competition, changes in consumers’ tastes and the impact of Brexit and COVID-19.

Approved by the Board on 28th June 2022 and signed on its behalf:



J H T Kennedy
Director

Directors' report

The directors present their report and audited financial statements for the 52 week period ended 26 June 2021. Future development of the business and principal risks and uncertainties are included in the Strategic report in accordance with the Companies Act section s414c (11).

PRINCIPAL ACTIVITIES

The Company trades as an importer, bottler, manufacturer, distiller and distributor of spirits.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £7,129k (2020: £2,850k). No dividends were declared or paid during or after the period (2020: £nil).

CHARITABLE AND POLITICAL DONATIONS

During the period the Company made charitable donations of £14k (2020: £30k) principally to local charities serving the communities in which the Company operates. No political donations were made during the period (2020: £nil).

DIRECTORS

The present directors of the Company who served throughout the period and thereafter, unless otherwise stated, are set out on page 1.

GOING CONCERN

The business is continuing its rationalisation program in both brands and operations. During the year, Halewood consolidated two UK operating sites into one main site, which will reduce our future operating costs and headcount. In addition, the proceeds of the sale of the Huyton site were used to repay bank borrowing by £12.5m in long term loans. Halewood sold three low margin non artisanal brands that will result in further reductions in headcount, warehousing and logistics costs. Halewood fully repaid all COVID-19 tax arrears during the year.

Halewood meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and loans secured over mixed assets. The Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company expect to be able to operate within the level of funding available.

The Company has been monitoring, assessing and reacting to the issues that COVID-19 has created for the employees, business operations, including the supply chain and financial performance. The Company continues to see shifts in purchasing patterns between channels and restrictions to sales in export markets. In response, the Company has reduced its cost base, focused on core brands to drive the maximum Net Margin and reduced working capital requirements, whilst curtailing non-essential capital expenditure projects.

While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company continues to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. Having undertaken these assessments up until June 2023, the forecasted future operational performance and modelled sensitivities for shifts of buying patterns, potential declines in UK premium gin, offset by current international growth showed that the Company is expected to operate within current banking facilities. The directors therefore consider that the Company will be able to continue in operational existence and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

EMPLOYEES

During the period the Company continued to provide employees with relevant information through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the Company's trading position and of any significant organizational changes.

It is the policy of the Company to support the employment of disabled persons, both in recruitment and by retention of employees who become disabled whilst in the employment of the Company, as well as generally through training and career development

Directors' report (continued)

POST BALANCE SHEET EVENTS

Following the invasion of Ukraine by Russia, the production of the J.J Whitley brand has been moved from our Russian facility to the Company's UK facility in Chorley. This resulted in a short period of out of stock and some increase in production costs.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

APPROVAL

The Directors' Report was approved by the Board on 28th June 2022 and signed on its behalf by:



J H T Kennedy
Director

Independent auditor's report to the members of Halewood Artisanal Spirits (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Halewood Artisanal Spirits (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 26 June 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

HALEWOOD ARTISANAL SPIRITS (UK) LIMITED

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- revenue recognition – valuation of rebates payable. The Company have rebate agreements with their customers for promotional spend and discounts. There is a risk that the provisions recognised by the Company are valued inappropriately. In response to the risk, we test a sample of the rebates recognised in the year through to supporting documentation, such as signed pricing agreements and customer claim forms. We also review the historical accuracy of the rebate provisioning by the Company by looking at the release of prior year provisions during the current year.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rachel Argyle (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom
28-June2022

Profit and loss account
For the 52 weeks ended 26 June
2021

	Note	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Turnover	4	210,343	243,541
Cost of sales		(164,196)	(193,191)
Gross profit		46,147	50,350
Selling and marketing costs		(24,192)	(25,409)
Distribution costs		(5,882)	(5,617)
Administrative expenses		(15,685)	(14,725)
Sale of fixed assets		(3,193)	-
Sale of brands		1,150	-
Restructuring related costs		(1,852)	(3,471)
Other operating items		6	483
Operating (loss)/profit	5	(3,501)	1,611
Interest receivable and similar income	8	2,428	1,584
Interest payable and similar charges	9	(4,999)	(5,808)
Fair value of financial instruments	21	-	(122)
Loss before taxation		(6,072)	(2,735)
Tax charge	10	(1,057)	(115)
Loss after taxation		(7,129)	(2,850)

The Company's results derive from continuing operations.

The Company has no recognized gains and losses other than those included in the results above. As such, no separate statement of comprehensive income has been presented.

The notes on page 15 to 29 form an integral part of these financial statements.

Balance sheet

As at 26 June 2021

	Note	26 June 2021 £'000	27 June 2020 £'000
Fixed assets			
Intangible Assets	11	434	134
Tangible Assets	12	32,276	36,823
Investments	13	15,667	16,019
Amounts due from subsidiary undertakings*		74,600	37,963
Amounts due from related parties*		51	282
Total Fixed assets		123,028	91,221
Current assets			
Stocks	14	31,265	29,687
Debtors*	15	100,551	82,878
Cash at bank and in hand		1,021	375
		132,837	112,940
Creditors: amounts falling due within one year	16	(171,754)	(159,345)
Net current assets		(38,917)	(46,405)
Total assets less current liabilities		84,111	44,816
Creditors: amounts falling due after more than one year	17	(83,933)	(38,125)
Provisions for liabilities	18	(1,188)	(571)
Net (liabilities)/ assets		(1,010)	6,120
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account		(1,011)	6,119
Shareholder's funds		(1,010)	6,120

* The prior period balance has been reclassified from Current Assets to Fixed assets. Please see note 15 for further details.

The notes on page 15 to 29 form an integral part of these financial statements.

The financial statements of Halewood International Limited, registered number 03920410, were approved by the board of directors on 28th June 2022 and signed on its behalf by:



J H T Kennedy
Director

Statement of changes in equity
For the 52 week period ended 26 June 2021

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 29 June 2019	1	8,969	8,969
Loss for the period and total comprehensive loss	-	(2,850)	(2,850)
Balance as at 27 June 2020	1	6,119	6,120
Loss for the period and total comprehensive loss	-	(7,129)	(7,129)
Balance as at 26 June 2021	1	(1,011)	(1,010)

The notes on page 15 to 29 form an integral part of these financial statements.

Notes to the financial statements

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period.

General information and basis of preparation

Halewood Artisanal Spirits (UK) Limited is a private limited Company limited by shares and is incorporated in England. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the directors' report on page 7. The financial statements have been prepared under the historical cost convention, with the exception of financial derivatives which are recognised at fair value, and in accordance with applicable law and United Kingdom accounting standards. The functional currency of Halewood Artisanal Spirits (UK) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the available exemptions to not disclose:

- A statement of cash flows;
- Certain financial instrument disclosures on the basis that equivalent disclosures are included in the consolidated financial statements of the group in which the Company is consolidated; and
- Key management personnel compensation in total.

Consolidation

The financial statements contain information about Halewood Artisanal Spirits (UK) Limited as an individual Company and do not contain consolidated financial information as a parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Halewood Artisanal Spirits PLC (formerly Halewood Wines and Spirits PLC).

Going concern

The business is continuing its rationalisation program in both brands and operations. During the year, Halewood consolidated two UK operating sites into one main site, which will reduce our future operating costs and headcount. In addition, the proceeds of the sale of the Huyton site were used to repay bank borrowing by £12.5m in long term loans. Halewood sold three low margin non artisanal brands that will result in further reductions in headcount, warehousing and logistics costs. Halewood fully repaid all COVID-19 tax arrears during the year.

Halewood meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and loans secured over mixed assets. The Company's forecasts and projections, taking account of possible changes in trading performance, show that the Company expect to be able to operate within the level of funding available.

The Company has been monitoring, assessing and reacting to the issues that COVID-19 has created for the employees, business operations, including the supply chain and financial performance. The Company continues to see shifts in purchasing patterns between channels and restrictions to sales in export markets. In response, the Company has reduced its cost base, focused on core brands to drive the maximum Net Margin and reduced working capital requirements, whilst curtailing non-essential capital expenditure projects.

While there remains significant uncertainty as to the future impact of the COVID-19 pandemic, the Company continues to conduct ongoing risk assessments of the potential impact of the pandemic on its business operations and liquidity. Having undertaken these assessments up until June 2023, the forecasted future operational performance and modelled sensitivities for shifts of buying patterns, potential declines in UK premium gin, offset by current international growth showed that the Company is expected to operate within current banking facilities. The directors therefore consider that the Company will be able to continue in operational existence and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation, less any provision for impairment. Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to recoverable amounts. Any such write down would be charged to operating profit. No depreciation is provided on freehold land or assets under construction. The principal annual rates used for other fixed assets are:

Property	2% on cost
Plant, machinery & IT equipment	5%-25% on cost
Land is not depreciated	

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Stocks

Stocks are stated at the lower of cost and net realizable value. Cost includes any expenses incurred in bringing each product to its present location and condition, using a first in, first out (FIFO) basis. Net realisable value is based on estimated selling price less further expected costs of disposal.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, there are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company uses derivatives to hedge its exposure to changes in foreign currency exchange rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Investments

Investments in a subsidiary Company is held at cost less accumulated impairment losses.

Investments in associates are accounted for at cost less impairment.

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, with differences on translation included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Capital grants

Capital government grants received are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets to which they relate.

Supplier income

Supplier income agreements span year end and often relate to multiple products, giving rise to estimates in respect of the level of rebate earned during the year. In order to minimise the risk, supplier turnover statements are obtained prior to income being claimed and recognised, these are multiplied by the relevant rate defined in the supplier income agreement to calculate the income amount.

Restructuring related costs

Restructuring related costs are transactions that fall outside of the ordinary activities of the company and are presented separately due to their size or incidence. In the current year, such transactions have occurred as consequence of the strategic restructuring of the business to focus on core artisanal spirits brands.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short-term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

1. ACCOUNTING POLICIES (continued)

Defined contribution pension plans

The Company contributes to defined contribution pension arrangements (including stakeholder equivalent arrangements) on behalf of certain employees. A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. Pension costs are charged to the profit and loss account as they fall due. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Intangible assets

Intangible assets are held at cost less provision for impairment. All classes of intangible assets are amortised over the estimated economic life of the products; this is currently estimated at 3 years on a straight line basis.

Turnover

Turnover comprises sales to customers less discounts and allowances and is net of value added tax. Turnover is recognised upon dispatch of goods, which is when the risks and rewards are considered to be transferred to the customer. Royalty income is recognised in turnover on an accruals basis in accordance with the substance of the relevant agreements.

Interest revenue

Interest income is recognised when it is highly probable that the economic benefits will flow to the Company and the amount of the revenue can be measured reliably. Interest income is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest payable

Interest payable is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate agreed with the lenders.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned, as permitted by FRS 102 Section 33.

2. STATEMENT OF COMPLIANCE

The financial statements of Halewood Artisanal Spirits (UK) Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

- i. Critical judgements in applying the Company's accounting policies - the directors do not consider there to be any critical accounting judgements that must be applied.
- ii. Key accounting estimates and assumptions – the directors do not consider there to be any key accounting estimates and assumptions that require further analysis.

Notes to the financial statements (continued)**For the 52 week period ended 26 June 2021****4. TURNOVER**

The analysis of turnover by geographical market is as follows:

	52 weeks ended 26 June 2021	52 weeks ended 27 June 2020
	£'000	£'000
United Kingdom	187,219	220,743
EC countries	5,816	7,048
Rest of Europe	5,097	6,910
Other	12,212	8,840
	210,343	243,541

All turnover derives from the principal activities of the Company. Segmental reporting of the origins of the turnover has not been provided. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Company, and has therefore not been disclosed as permitted by FRS 102.

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	52 weeks ended 26 June 2021	52 weeks ended 27 June 2020
	£'000	£'000
Depreciation of tangible fixed assets - owned	2,072	2,735
- held under finance lease	688	905
Foreign exchange loss	33	442
Forward foreign exchange contracts (note 21)	-	122
Operating lease rentals - other	413	182
Loss on sale of assets	222	83
Intangible amortization	63	46
Grant amortisation	(64)	(95)
Cost of inventories recognised as an expense	166,800	189,872
Write (up)/downs of inventories	(2,604)	3,320
Sale of Huyton site	3,193	-
Sale of brands	(1,150)	-
Restructuring related costs	1,852	3,471
Other operating income	(5)	(483)

Restructuring related costs fall outside of the ordinary activities of the Company and are presented separately due to their size. These costs are also considered non-recurring items.

Other operating income in the prior year relates to UK government grants received under the Job Support Scheme, introduced during the COVID-19 pandemic.

The analysis of auditor's remuneration is as follows:

	52 weeks ended 26 June 2021	52 weeks ended 27 June 2020
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	140	135

There were no non audit fees (2020: nil).

Notes to the financial statements (continued)**For the 52 week period ended 26 June 2021****6. EMPLOYEES**

Staff costs during the period, including directors, were as follows:

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Wages and salaries	15,008	17,497
Social security costs	1,624	1,787
Pensions – defined contribution scheme (note 23)	1,013	1,313
	<u>17,646</u>	<u>20,597</u>

The average monthly number of employees, including directors, during the period was made up as follows:

	2021	2020
Administration and selling	130	184
Warehousing and production	224	224
	<u>354</u>	<u>408</u>

7. DIRECTORS' EMOLUMENTS

Directors' emoluments were as follows:

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Emoluments for management services including benefits in kind	2,608	3,204
Pension contributions	44	40
Redundancy	-	210
	<u>2,652</u>	<u>3,454</u>

The emoluments of the highest paid director were:

Salary	833	1,200
Benefits in kind	3	5
Pension contributions	4	-
	<u>836</u>	<u>1,205</u>

Pension contributions have been made on behalf of 6 of the directors (2020: 8).

The highest paid director received pension contributions totaling £4k (2020: £nil).

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Interest due from group companies	2,420	1,584
Interest due from related parties	8	-
	<u>2,428</u>	<u>1,584</u>

Notes to the financial statements (continued)
For the 52 week period ended 26 June 2021

9. INTEREST PAYABLE AND SIMILAR CHARGES	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Bank overdraft	1,356	1,872
Bank loan interest	924	1,104
Hire purchase interest	29	29
Interest due to fellow subsidiary undertakings	2,669	2,535
Interest due to related parties	-	268
Other	21	-
	<u>4,999</u>	<u>5,808</u>

10. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Current tax on loss		
UK corporation tax	(259)	(187)
Adjustments in respect of prior periods	(638)	146
Total current tax	<u>(897)</u>	<u>(41)</u>
Deferred tax		
Origination and reversal of timing differences	244	(148)
Adjustments in respect of prior period	(118)	133
Effects of changes in tax rates	(285)	(59)
Total deferred tax	<u>(159)</u>	<u>(74)</u>
Total tax charge on loss	<u>(1,057)</u>	<u>(115)</u>

The standard rate of tax applied to reported profit is 19% (2020: 19%).

The UK corporation tax rate for the year ended 30 June 2021 is 19% which has been effective since 1 April 2017. In the Spring Budget 2021, the UK Government announced an increase in the corporation tax rate to 25% which will apply from 1 April 2023. The legislation increasing the tax rate to 25% rate was enacted on 10 June 2021. Deferred taxes on 30 June 2021 have been measured using this enacted tax rate and reflected in these financial statements.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

Notes to the financial statements (continued)
For the 52 week period ended 26 June 2021

10. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES (continued)

	52 weeks ended 26 June 2021 £'000	52 weeks ended 27 June 2020 £'000
Loss on ordinary activities before taxation	(6,072)	(2,735)
Tax on loss at standard UK corporation tax rate of 19% (2020: 19%)	(1,154)	(520)
Effects of:		
- Expenses not deductible for tax purposes	261	223
Income not taxable	(305)	-
- Carry forward of tax losses	-	(649)
- Adjustments to tax charge in respect of previous periods	757	279
- Losses utilised	(881)	-
- Gains/ rollover relief	2,094	-
- RDEC	-	17
- Tax rate changes	285	(59)
Total tax charge for the period	(1,057)	(115)

11. INTANGIBLE ASSETS

	Design costs £'000
Cost	
At 27 June 2020	193
Additions	363
At 26 June 2021	556
Amortisation	
At 27 June 2020	59
Charge	63
At 26 June 2021	122
Net Book Value	
At 26 June 2021	434
At 27 June 2020	134
Intangible assets relate to product design costs.	

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

12. TANGIBLE FIXED ASSETS

	Land & property £'000	Plant & machinery and IT equipment £'000	Total £'000
Cost			
At 27 June 2020	16,299	55,772	72,071
Additions	1	7,455	7,457
Disposals	(16,058)	(35,318)	(51,376)
Transfers	2,828	24,553	27,382
At 26 June 2021	3,071	52,463	55,534
Accumulated Depreciation			
At 27 June 2020	1,430	33,818	35,248
Charge for the period	202	2,557	2,760
Disposals	(1,564)	(23,784)	(25,348)
Transfers	486	10,111	10,597
At 26 June 2021	555	22,702	23,257
Net book value			
At 26 June 2021	2,516	29,761	32,276
At 27 June 2020	14,869	21,954	36,823

The net book value of fixed assets includes an amount of £1,876k (2020: £1,918k) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets was £688k (2020: £905k) in the period.

Land & property includes freehold land with a carrying value of £nil (2020: £5,204k) that is not depreciated.

13. FIXED ASSET INVESTMENT

	26 June 2021 £'000	27 June 2020 £'000
Cost		
Subsidiary undertakings	13,707	13,675
Participating interests	1,959	2,344
	15,667	16,019

The Company's investments are set out below. All subsidiaries are 100% owned and registered in the UK unless otherwise stated. The registered office address of all entities is as follows unless otherwise stated: The Winery, Ackhurst Road, Chorley, PR7 1NH

Subsidiary Undertakings	Country	Principal Activity	Class of Share	Registered office & CRN
Hawkshead Brewery Limited	UK	Brewery and public house	Ordinary Shares	Staveley Mill Yard, Staveley, Cumbria, LA8 9LRCRN 01488467
City of London Distillery Limited	UK	Distillery and public house	Ordinary Shares	22-24 Bride Lane, London, EC4Y 8DT CRN 07963963
Sadlers Peaky Blinder Distillery Limited	UK	Brewery	Ordinary Shares	Unit 2 Conyers Trading Estate Station Drive, Lye, Stourbridge, West Midlands, DY9 3EHCRN 05063381

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

13. FIXED ASSET INVESTMENT (continued)

Subsidiary Undertakings	Country	Principal Activity	Class of Share	Registered Office & CRN
Sadler's Brewhouse Limited (99.9%)	UK	Public house	Ordinary Shares	Unit 2 Conyers Trading Estate, Station Drive, Lye, United Kingdom, DY9 3EH CRN 09416020
Liverpool Gin Distillery Ltd	UK	Distilling, rectifying and blending of spirits	Ordinary Shares	52-54 Caste Street, Liverpool England, L2 7LQ CRN 10647576
H J Neill Limited (85%)	UK	Brand Owner	Ordinary Shares	1 st Floor, Tennyson House 159-165, Great Portland Street, London W1W 5PA CRN 09927950
The Bajan Trading Company Limited (87.5%)	UK	Manufacturer of spirits	Ordinary Shares	1 st Floor, Tennyson House, 159-165 Great Portland Street, London, England, W1W 5PA CRN 06377231
Pat Garrett Liquor Trading Company Ltd	UK	Dormant	Ordinary Shares	1 st Floor, Tennyson House, 159-165 Great Portland Street, London, England W1W 5PA CRN 11390004
Lamb & Watt Vintners Ltd	UK	Dormant	Ordinary Shares	1 st Floor Tennyson house 159-165 Great Portland Street, London, England, W1W 5PA CRN 02841848
Halewood International Streams of Whiskey Ltd (50%)	UK	Brand Owner	Ordinary Shares	The Winery, Ackhurst Road, Chorley, England, PR7 1NH, CRN 09997019
Redrosesforme Limited (60%)	UK	Distilling, rectifying and blending of spirits	Ordinary Shares	1 st Floor Tennyson House, 159-165 Great Portland Street, London, England W1W 5PA CRN 09970509
The Cornish Rum Company Ltd	UK	Wholesale of wine, beer, spirits & other alcoholic beverages	Ordinary Shares	87-89 Park Street, Bristol, England, BS1 5PW CRN 10847544
Kania Craft Drinks Limited (60%)	UK	Holding Company	Ordinary Shares	The Winery, Ackhurst Road, Chorley, England, PR7 1NH CRN 11346532
Castle Rum Company Ltd	UK	Public houses and bars	Ordinary Shares	1 st Floor, Tennyson House, 159-165 Great Portland Street, London, England W1W 5PA CRN 11556789
Whitley Neill Gin Ltd	UK	Dormant	Ordinary Shares	1 st Floor Tennyson House 159-165 Great Portland Street, London W1W 5PA CRN 12917173
The Whitley Neill Distillery Ltd	UK	Dormant	Ordinary Shares	1 st Floor Tennyson House 159-165 Great Portland Street, London W1W 5PA CRN 1238729
Formby Spirits Ltd	UK	Dormant	Ordinary Shares	1 st Floor Tennyson House 159-165 Great Portland Street, London W1W 5PA CRN 11172225
Whitley Neill Spirits Ltd	UK	Dormant	Ordinary Shares	1 st Floor Tennyson House 159-165 Great Portland Street, London W1W 5PA CRN 12918337
Loca Beverages Ltd	UK	Distilling, rectifying and blending of spirits	Ordinary Shares	1 st Floor Tennyson House 159-165 Great Portland Street, London, W1W 5PA CRN 08662064
Wessex Distillery (50%)	UK	Distillery	Ordinary Shares	4 th Floor Imperial House, 8 Kean Street, London WC2B 4AS CRN 10943874
Pinchos Bar Ltd	UK	Public house	Ordinary Shares	The Winery, Ackhurst Road, Chorley, England, PR7 1NH CRN 09038614
Vestal Vodka Ltd (44%)	UK	Brand Owner	Ordinary Shares	The Winery, Ackhurst Road, Chorley, England, PR7 1NH CRN 07255560

Notes to the financial statements (continued)**For the 52 week period ended 26 June 2021****Subsidiaries**

Cost and Net Book Value	£'000
At 27 June 2020	13,675
On acquisition	551
Impairment	(519)
At 26 June 2021	13,707

On 20 August 2020, Halewood Artisanal Spirits (UK) Limited acquired a further 25% of the ordinary share capital of Castle Rum Company Ltd, such that it now owns 100% of the ordinary share capital

On 20 August 2020, Halewood Artisanal Spirits (UK) Limited acquired a further 50% of the ordinary share capital of Pinchos Bar Ltd, such that it now owns 100% of the ordinary share capital. This is shown as part of the disposal in the below participating interests note and in the acquisition above.

Participating interests

Cost and Net Book Value	£'000
At 27 June 2020	2,344
Additions (see note below)	53
Disposals	(439)
At 26 June 2021	1,959

On 29 September 2020, Halewood Artisanal Spirits (UK) Limited disposed of its shareholding in Cheshire Drinks Company Ltd.

14. STOCKS

	26 June 2021 £'000	27 June 2020 £'000
Raw materials and semi-finished goods	16,312	16,283
Goods for resale	14,953	13,404
	31,265	29,687

The directors consider that there is no material difference between the balance sheet value of the stocks and the replacement cost.

Notes to the financial statements (continued)**For the 52 week period ended 26 June 2021****15. DEBTORS**

	26 June 2021 £'000	27 June* 2020 £'000
Trade debtors	54,341	45,263
Other debtors	1,061	3,831
Prepayments	8,681	2,089
Corporation tax	1,853	2,573
Amount due from subsidiaries*	34,615	29,122
Amount due from related parties*	-	-
	100,551	82,878

All amounts are due within one year. Amounts due from subsidiaries and related parties are repayable on demand, with interest charged at 4% to 7.5%.

* In line with updated guidance, amounts due from subsidiaries and amounts due from related parties have been reclassified as "amounts falling due within one year" to "amounts falling due after more than one year". Prior year balances have also been restated. Amounts that relate to trading accounts have also remained as current.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	26 June 2021 £'000	27 June* 2020 £'000
Bank overdraft (secured)	26,229	20,900
Bank loan*	-	2,250
Hire purchase finance	37	105
Directors loan account	-	708
Trade creditors	24,220	13,702
Other taxation and social security	17,737	28,104
Accruals and deferred income	33,321	14,455
Government grants	1	65
Other creditors	2,603	63
Amounts due to fellow subsidiary undertakings**	63,181	56,632
Amounts due to parent Company**	-	17,937
Amounts due to related parties	4,424	4,424
	171,754	159,345

* Aprior period balance of £27,500K has been reclassified from "Creditors: amounts falling due within one year" to "Creditors: amounts falling due after more than one year" as there is an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date

** As at 26 June 2021 amounts due from Halewood Artisanal Spirits PLC and Halewood International Holdings Limited of £55,412k have been reclassified from "amounts falling due within one year" to "amounts falling due after more than one year" due to the formation of a long-term funding agreement with Halewood Artisanal Spirits (UK) Limited.

Hire purchase agreements relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £37k (2020: £105k).

The bank loan has been fully repaid during the current period.

Notes to the financial statements (continued)**For the 52 week period ended 26 June 2021****17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	26 June 2021 £'000	27 June 2020 £'000
Bank loan*	27,500	37,750
Amounts due to parent Company**	55,412	-
Hire purchase finance	1,021	375
	83,933	38,125
Repayable		
1-2 years	-	3,250
2 -5 years	27,500	34,500

* A prior period balance of £27,500K has been reclassified from "Creditors: amounts falling due within one year" to "Creditors: amounts falling due after more than one year" as there is an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date".

** As at 26 June 2021 amounts due from Halewood Artisanal Spirits PLC and Halewood International Holdings Limited of £55,412k have been reclassified from "amounts falling due within one year" to "amounts falling due after more than one year" due to the formation of a long-term funding agreement with Halewood Artisanal Spirits (UK) Limited.

Hire purchase agreements relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £1,019k (2020: £479k).

18. DEFERRED TAX LIABILITY

	26 June 2021 £'000	27 June 2020 £'000
The deferred tax liability is as follows:		
Opening liability	571	498
Charge to profit and loss account	41	207
Adjustments in respect of prior years	118	(134)
Movement arising from the transfer of trade	458	-
Closing liability	1,188	571

Deferred tax is analysed as follows:

	26 June 2021 £'000	27 June 2020 £'000
Capital allowances in excess of depreciation	1,264	915
Short term timing differences	(77)	(23)
R&D expenditure credit	-	(321)
	1,188	571

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

19. SHARE CAPITAL

	26 June 2021 £'000	27 June 2020 £'000
Allotted, called-up and fully paid		
1,000 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

20. CAPITAL COMMITMENTS**Leases**

The Company has annual minimum lease payments under non-cancellable operating leases as set out below:

	26 June 2021 £'000	27 June 2020 £'000
Land and buildings operating leases which expire:		
Within one year	1,163	241
Between two and five years	1,509	240
After five years	240	240
	<u>2,912</u>	<u>721</u>

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 26 June 2021, there are no outstanding contracts (2020: 6 months) as at the year-end.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP: EUR. The fair value of the forward-foreign currency contracts is an asset of £nil (2020: asset £3k).

	Principal	Fair value Asset	Principal	Fair value Asset
	26 June 2021 £'000	26 June 2021 £'000	27 June 2020 £'000	27 June 2020 £'000
Forward foreign exchange contracts	-	-	5,450	125

The company holds no derivatives (2020: Nil)

Notes to the financial statements (continued)

For the 52 week period ended 26 June 2021

22. CONTINGENT LIABILITY

The Company is party to group borrowings facilities under which the various UK companies in the group have unlimited cross-guaranteed in respect of the others' bank borrowings. At 26 June 2021 these borrowings amounted to £6,166k (2020: £7,996k).

23. PENSION ARRANGEMENTS

The Company operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £1,166k (2020: £1,313k), which represented contributions to these schemes. The assets of this scheme are held separately from those of the Company in independently administered funds. At 26 June 2021 the amount outstanding to the pension scheme was £193k (2020: £121k).

24. RELATED PARTY TRANSACTIONS

During the period, the Company entered into the following transactions with companies over which the Estate of Mr J E Halewood, the principal shareholder, exercises significant influence:

The Company has a balance owed to the Estate of Mr J E Halewood at 26 June 2021 of £4,424k (2020: of £4,424k).

The Company has an amount owed from associated companies amounting to £51k (2020: £282k).

The Company has an amount owed to Directors at 26 June 2021 of £nil (2020: £708k).

25. ULTIMATE PARENT AND CONTROLLING PARTY

The immediate parent undertaking is Halewood International Holdings (UK) Limited, a Company registered in England.

The ultimate parent Company and parent undertaking of the largest and smallest group which includes the Company is Halewood Artisanal Spirits PLC, a Company registered in England whose registered office is 1st Floor, 159-165 Great Portland Street, London W1W 5PA. Group financial statements for Halewood Artisanal Spirits PLC are available to the public on payment of the appropriate fee, from Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

In the opinion of the directors, the Estate of Mr J E Halewood, and members of his close family control the Company as a result of holding a majority share of the issued share capital and attached voting rights.

26. POST BALANCE SHEET EVENTS

Following the invasion of Ukraine by Russia the production of the JJ Whitley brand has been moved from our Russian facility to the Company's UK facility in Chorley, this resulted in a short period of out of stock and some increase in production costs.